

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 TRSE-00 OMB-01 COME-00 AGR-05

AID-05 PM-04 NSC-05 SP-02 SS-15 CIAE-00 DODE-00

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EO 11652: NA

TAGS: EAID, EGEN, EFIN, IMF

SUBJECT: CUSTOMS RATE CHANGES ARE EVIDENTLY CAUSING PROBLEMS

REF: CAIRO 6013

1. ALL PAPERS MAY 18 CARRY FRONT-PAGE STORIES REPORTING PRESS CONFERENCE HELD BY MINFIN ABU ISMAIL IN WHICH HE ACCUSED PRIVATE SECTOR OF CAUSING CONFUSION AND SPREADING RUMORS RELATED TO INCREASES IN PRICES WHICH RESULT FROM GOE DECISION TO PASS CUSTOMS VALUATION ON PARALLET RATHER THAN OFFICIAL RATE OF EXCHANGE. HE ADDED THAT THIS IS BEING DONE ON PURPOSE AS MEANS OF JUSTIFYING PRICE INCREASES AND THEREBY SERVING PERSONAL INTERESTS.

2. ABU ISMAIL SAID THAT A TOTAL OF ONLY LE 320 MILLION WILL BE TRANSFERRED TO PARALLET MARKET OUT OF TOTAL OF COMMODITY IMPORTS WORTH LE 1,920 MILLION FOR THIS YEAR. HE UNDERLINED THAT DECISION WAS TAKEN IN ORDER TO BENEFIT POPULATION AND STATE, AND WILL NOT INCREASE PRICES OF BASIC COMMODITIES (WHICH HE SPECIFIED AS FERTILIZERS, PESTICIDES, MEDICINES, WHEAT, RICE, BABY FOOD, RAW MATERIALS AND PRODUCTION MEANS, UTILITY CLOTH, LIMITED OFFICIAL USE

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DAIRY PRODUCTS, MEAT, PROCESSED BUTTER, EDIBLE OIL,

MACARONI AND PROCESSED DATES). ABU ISMAIL FURTHER IS QUOTED AS STATING THAT DECISION TO CHANGE RATE OF CUSTOMS VALUATION WOULD APPRECIABLY CONTRIBUTE TO REDUCTION OF OVERALL DEFICIT AND AT SAME TIME LEAD TO INCREASE IN EGYPT'S FOREIGN EXCHANGE RESOURCES WHILE MINIMIZING UTILIZATION OF THESE CURRENCIES FOR LUXURY GOODS.

3. COMMENT: ABU ISMAIL IS CLEARLY REACTING TO WAVE OF CRITICISM WHICH HAS BEEN DIRECTED AT HIS MINISTRY SINCE ANNOUNCEMENT OF CUSTOMS CHANGE. (IMF HAS BEEN ONE OF DRIVING FORCES BEHIND MODIFICATION OF CUSTOMS RATE, AND FOR PRECISELY REASONS WHICH HAVE LED TO SOME REACTIONS ON PART OF EGYPTIANS.) IT CAN BE SAFELY ASSUMED THAT PRIVATE SECTOR IS INDEED QUITE VOCIFEROUS OVER IMPACT THAT NEW MEASURES WILL HAVE, SINCE THEY REPRESENT GROUP WHICH WILL BE MOST DIRECTLY AFFECTED.

4. NONETHELESS, IT IS UNUSUAL TO SEE MINISTER, PARTICULARLY ABU ISMAIL, TAKE TO PRESS FOR PURPOSE OF CASTIGATING SPECIFIC SEGMENT OF POPULATION. WE CAN ONLY ASSUME THAT HE HAS SUFFERED MORE ATTACKS SIMILAR TO HEATED SIX-HOUR SESSION HE REPORTEDLY HAD IN PEOPLES ASSEMBLY ON SAME ISSUE. HE IS EVIDENTLY QUITE SENSITIVE NOW.
EILTS

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